

F.W.WOOLWORTH CO.

Report of Annual Meeting of Stockholders ■ May 17, 1967



WOOLWORTH VARIETY STORES
WOOLCO DEPARTMENT STORES
KINNEY SHOE STORES
WOOLWORTH INTERNATIONAL

F. W. Woolworth Co., Limited, Canada

F. W. Woolworth Co., G.m.b.H., Germany

F. W. Woolworth Co., S.A. de C.V., Mexico

F. W. Woolworth (Japan) Ltd.

Woolworth Espanola, S.A.

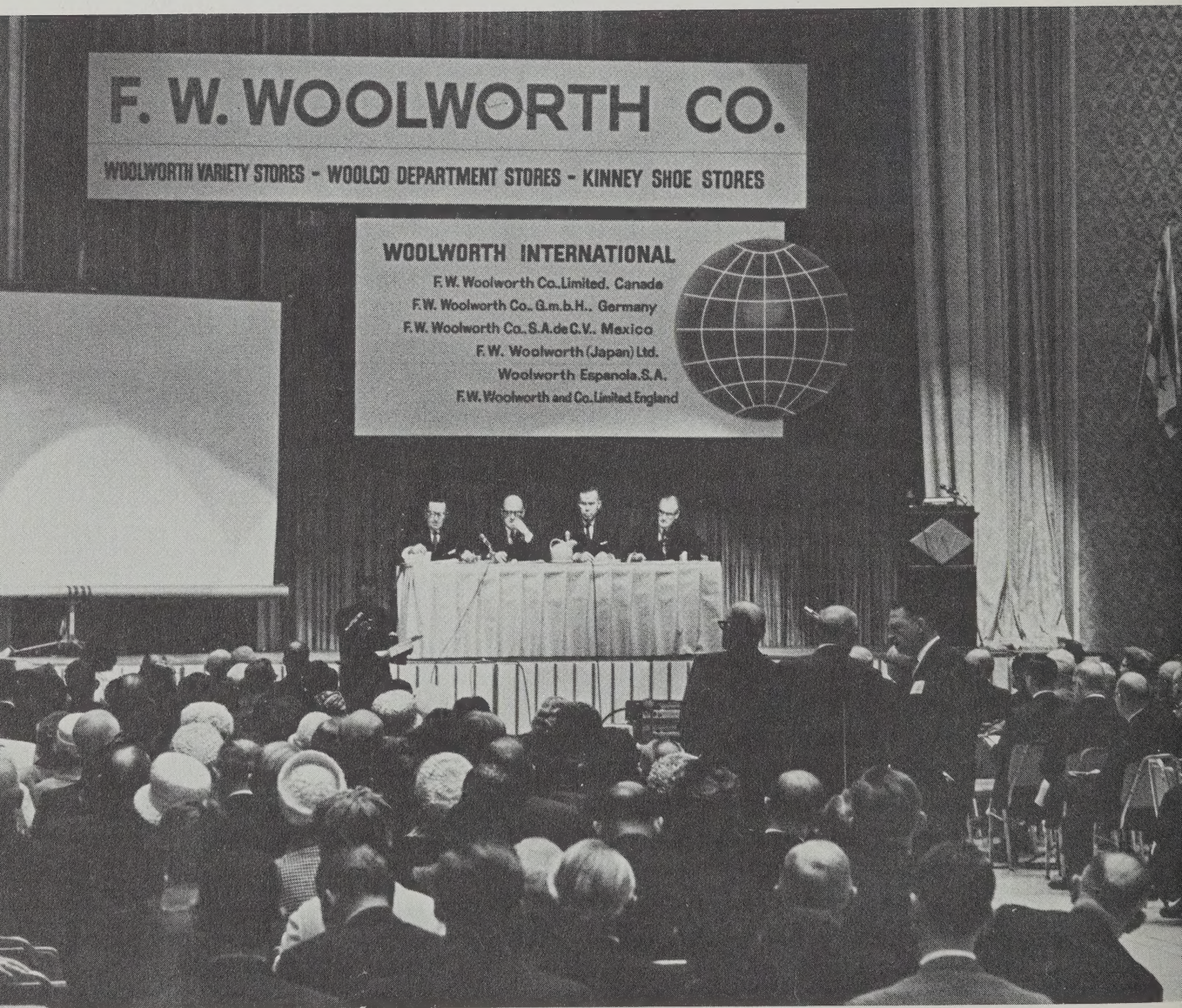
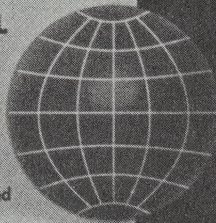
F. W. Woolworth and Co., Limited, England

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June 9, 1967

To Our Stockholders:

The Annual Meeting of Stockholders of F. W. Woolworth Co. was held in the Pick-Congress Hotel in Chicago, Illinois, on Wednesday, May 17, 1967.

Mr. R. C. Kirkwood, Chairman of the Board, presided at the meeting. After welcoming the stockholders, Mr. Kirkwood introduced the seventeen Directors in addition to himself who were present, as well as Mr. J. E. Pierce, Regional Vice-President in the North Central Region, of which Chicago is a part, and the Assistant Regional Manager, Mr. J. T. Arnold.

Shares voted totaled 22,984,099, or 79.55% of the stock outstanding.

The following Directors were elected for a term of one year, ending with the third Wednesday in May, 1968:

CLIFFORD O. ANDERSON
EUGENE R. BLACK
LESTER A. BURCHAM
FREDERICK L. CHAPLIN
HERBERT J. COOK
LESTER F. DAVIS
HARRY B. FOGERSON
W. ROBERT HARRIS
HAROLD H. HELM
SAMUEL H. HUBER
ALLAN P. KIRBY
FRED M. KIRBY

ROBERT C. KIRKWOOD
SEYMOUR H. KNOX
JAMES T. LEFTWICH
ALAN B. MUNRO
FREMONT C. PECK
JOHN S. ROBERTS
WALTER E. SAUNDERS
JOHN E. STROMENGER
KEITH L. SUMNER
JAMES R. WEBB
HENRY R. WILSON
ROBERT W. YOUNG

Management's proposal for authorization to issue preferred stock was approved. The two shareholder proposals, one for a fixed dollar ceiling on annual pensions and the other for certain restrictions on any new stock option plans, were defeated.

Mr. Kirkwood's report to the shareholders at the meeting is given here verbatim:

REPORT OF THE CHAIRMAN

Good afternoon, ladies and gentlemen.

It is a real pleasure for Woolworth to hold its 1967 Annual Meeting in Chicago—hub city of the United States and in many ways the hub of the Woolworth organization.

Chicago and the Woolworth organization have much in common. Both are aggressively on the move, both are going places and both are young in heart. That is why a visit to Chicago is such a gratifying experience for the Directors of the F. W. Woolworth Co. We feel very much at home here.

The outward signs of Chicago's inner dynamism are all around us. The handsome new buildings, the network of expressways, the magnificent airport facilities—all attest to the spirit of progress and the confidence in the future that are so characteristic of "the Chicago state of mind." This is the kind of environment that we of the Woolworth organization thrive on.

We welcome the opportunity this occasion presents for meeting our shareholders from the heartland of America. As many of you know, this is the second time in our entire history that we have not held the Annual Meeting in Watertown in upstate New York. Watertown, of course, is of historical importance to the Company in that the "five-and-dime" concept got its start there in 1878. Last year we decided to break with tradition, and we moved our annual meeting to San Francisco. We are deploying our annual meetings through the country for the convenience of our shareholders who, at latest count, numbered well over 122,000.

One of the largest concentrations of Woolworth shareholders is right here in the Chicago area. Chicago is also the site of our largest and most modern warehouse and distribution center, located at 4801 South Lawndale Avenue. This computerized and automated facility is one of the most modern distribution centers of its kind in American retail merchandising.

Bigness, as typified by our Chicago distribution center, is in many ways synonymous with Woolworth's. For example:

- We are not only the world's largest variety chain but also the fourth-largest retail enterprise of any kind outside the grocery supermarket field.
- We are the world's largest purveyors of food prepared and served on the premises—our restaurants, cafeterias, lunch counters and snack bars can serve more than one million customers a day.
- We are the world's largest sellers of phonograph records—from Bach, Beethoven and Brahms to The Young Rascals, Herman's Hermits and the Beatles. We are probably also the world's largest sellers of electric guitars.
- We are among the largest users of newspaper advertising. Last year's total set a new high of 83 million lines—and we expect to go still higher in 1967.

These are but a few facets of our program for dominance in retail merchandising. We are constantly striving for dominance in every phase of retailing. Our aim is to be the best in serving the needs of the American consumer—to be the best in providing quality merchandise for the whole family at the right price, at the right time, and with the ultimate in shopping convenience.



Robert C. Kirkwood

Robert C. Kirkwood, Chairman of the Board of Directors, reported on the progress of the Company in its program for dominance in retailing. Lester A. Burcham, President, showed slides of what is new in stores, both here and abroad.



Lester A. Burcham

Financial

I should like now to review some of the financial highlights of the year just passed, and then go on to some of the interesting plans we have in mind for the future.

As the Annual Report points out, last year's earnings of \$2.34 per share reflect a decline of 16 cents per share in our equity in the earnings of our British subsidiary. This decline more than offset a gain of nine cents per share in the earnings of the consolidated Woolworth operations, excluding England. This was our fourth consecutive year of increased profits in our consolidated companies.

The individual results of all the subsidiary companies except the British company are consolidated in the annual figures. In the case of the British company, however, we own 52.7 per cent of the outstanding voting shares and we participate to that extent in the British company's earnings, subject of course to British tax laws.

In April 1966 a new British withholding tax went into effect on dividends received by the parent F. W. Woolworth Company from the British subsidiary. The tax bite amounted to nearly four million dollars in U.S. currency, or 14 cents per share of the parent Company's common stock. Chiefly because of the new withholding tax, our equity in the 1966 earnings of the British company fell to slightly more than 30 million dollars from the restated total of approximately 35 million dollars in 1965.

It should be borne in mind that, even after the new withholding tax, our equity in the 1966 income of the British company was still the second-best in Woolworth history!

Consolidated Companies

Sales of the consolidated Woolworth companies increased 9.02 per cent last year, to a new high of one billion, 573 million dollars. Sales reported are from all companies in the Woolworth family except the British Woolworth company.

In Great Britain, as you may know, it is customary for many companies to report earnings rather than sales.

The consolidated companies at the end of last year operated 2,071 Woolworth stores in the 50 states and Puerto Rico, plus 403 in other countries, for a total of 2,474 Woolworth units. To this should be added the 52 full-line department stores operated by the Woolco Department Stores Division and 719 retail shoe stores and leased shoe departments operated by the Kinney Shoe Corporation subsidiary.

All told, the various wholly-owned subsidiaries and divisions operated 3,245 retail outlets—including variety stores, department stores, free-standing restaurants and cafeterias and shoe stores—at the close of 1966, plus warehouse and distribution centers. The British Woolworth company operated an additional 1,126 retail units.

Dividends paid to stockholders passed the billion-dollar mark last year. Woolworth now has an unbroken record of 55 consecutive years of dividend payments. As a sidelight, 100 shares purchased in 1912 are now 5,850 shares, through stock splits.

Diversification and Expansion

To get a clear idea of where we're heading, it may be helpful to take just a moment to look back at where we've been.

Ten years ago Woolworth was a variety chain, pure and simple. To be sure, it was the world's largest variety chain. We operated only in North America, Germany and Britain.

Since that time we have strengthened our organization from top to bottom—and we have expanded and diversified on many fronts. We have enhanced our competitive position. Today we are not only the world's *largest* variety chain but also one of the most flexible and up-to-date retailers in America. We have strengthened our leadership in the variety field, and at the same time we have branched out into other promising areas of retailing.

In five short years our Woolco Department Stores Division has already made a name for itself in the promotional department store field—and the biggest growth for Woolco is yet to come. Our Kinney Shoe Corporation subsidiary is among the world's largest retail family shoe chains—and still expanding. Further diversification in the years ahead is a virtual certainty.

More recently we have broadened the scope of our international operations, with newly formed subsidiaries in Spain and Japan. The Woolworth emblem is now part of the national scene in seven different countries.

Incidentally, the combined sales volume of the consolidated Woolworth companies *has increased more than 50 per cent* since we first reached the billion-dollar barrier in 1960!

Dominant Stores

One of the best examples of our expansion is reflected in our "Dominant Stores" program. Although this program was started several years ago, it is still gaining momentum, with the number of "dominant" Woolworth stores increasing each year.

Numbers alone, of course, do not tell the whole story. Even more important are the size and efficiency of the individual stores—and it is here that our gains have been particularly impressive.

Last year, for example, we opened 28 new Woolworth stores in the United States and Puerto Rico—and their average size was 40,000 square feet of building area. We were able to utilize an average of 80 per cent of the area as selling space. Ten years ago the average size of a newly opened Woolworth store was 15,000 square feet of building area, with only 60 per cent used for selling. So you can see that today's new store is more than two-and-one-half times as large—on average—as its counterpart in the late nineteen-fifties.

Our research indicated this is the way our customers want it. Consumers today are amply supplied with discretionary income—money to be spent on the good things of life after basic needs are taken care of. Many of these items, which would have been considered luxuries a few years ago, are now regarded as necessities by the average American family—and the money to buy them with is there. This area of “discretionary spending” offers tremendous opportunities for the alert and aggressive retail organization. This is where the “action” is in retailing today.

To make the most of this opportunity we have upgraded our traditional merchandise lines from top to bottom. And we have added high-fashion apparel, top-quality home furnishings and many other “big-ticket” items that you never would have seen in the old-line, neighborhood five-and-ten-cent store. To present this merchandise properly requires, obviously, more selling space—and that is why the typical Woolworth store today is so much bigger, not to mention much more inviting and attractive and vastly more efficient. The emphasis at Woolworth's today is on big stores in high-traffic locations where consumer spending power is big right now and destined to become even greater in the future.

Last year the expansion program for our consolidated companies required an expenditure of nearly 55 million dollars on property additions and improvements. During 1967 we expect to continue at this pace to make certain we maintain and strengthen our leadership.

In addition to the 28 new Woolworth stores we opened in the United States and Puerto Rico last year, we enlarged and renovated 18 existing stores and moved seven of these to new locations. We also closed 52 unprofitable outlets. This year we plan to open 21 new dominant-type variety stores in the United States and Puerto Rico and to enlarge 15 present stores. We also plan to open four Woolworth Department Stores.

The important thing to bear in mind right now is that nothing is left to chance in arriving at such decisions. Each move is based on careful research and analysis—whether it involves a new store, a relocated store or the remodeling or abandonment of an existing outlet. There is no guesswork about this; we rely on the latest scientific techniques. The result is that each new or renovated store is “design-engineered” for maximum growth and profit. It is the dominant store of its kind in its area because it was planned that way.

Woolco Department Stores

We have a similar goal of dominance, in the promotional department store

field, for our Woolco Department Stores Division. This Division was established five years ago when the first Woolco Department Store was built in Columbus, Ohio.

At the present time there are 54 Woolco Department Stores in operation in the United States and Canada. By the end of next year we expect to have approximately 100 Woolco stores in operation. And there will be many more to come.

The outstanding success of our Woolco Department Stores so far is based primarily on the proper selection of a site for each store after careful study and meticulous planning. Woolco stores are located in or near major shopping centers, and each one is usually the outstanding store in its location.

From the very beginning our concept was, and still is, to build Woolco Department Stores for future sales and profit over the long haul.

These are full-fledged department stores—ranging in size up to 140,000 square feet—which offer nationally advertised merchandise including fine jewelry, color television sets, refrigerators, wall-to-wall carpeting, camping and boating equipment, home improvement supplies and—of course—fashions for the entire family.

In this area you might find it worthwhile to visit the Woolco store in the new Plaza North Shopping Center in Terre Haute, Indiana, or the new Woolco store in the Town and Country Shopping Center in Springfield, Illinois. These are fine, modern department stores that every Woolworth stockholder can be proud of.

The Woolco Department Stores are meeting or surpassing the goals originally set for them. We look forward to continued growth in this Division and we are confident it will add substantially to overall earnings in the years ahead.

Woolworth Department Stores

Something new has been added to the Woolworth family in this country during the past year. It is the Woolworth Department Store, which combines all the features of a dominant-type Woolworth variety store with some of the department store services offered by our Woolco outlets. Our research indicated that these stores should be designed to meet the shopping needs of consumers in smaller communities located in rural areas.

The first three Woolworth Department Stores in the U.S. were opened last year—one each in Sheridan, Wyoming; Marshfield, Wisconsin; and Duncan, Oklahoma. Four more are to be opened in 1967. It is, of course, too early to evaluate the performance of these stores but consumer acceptance of these units has been good and we are very optimistic.

We have had previous successful experience with this type store in Canada and are presently operating three Woolworth Department Stores there. Consumer reaction to these stores in Canada was most favorable and was a factor in the decision to introduce them in this country.

Kinney Shoe Corporation

The Kinney Shoe Corporation, oldest family shoe chain in the nation, is now in its fifth year as a subsidiary of F. W. Woolworth Co. Last year Kinney estab-

lished its 23rd consecutive annual sales record and this reflects the excellent executive leadership and organization of the company.

Expansion and modernization continue at a rapid pace. Forty new retail stores were opened in the United States last year while two existing stores were relocated and 43 were completely renovated. Thirty-six unprofitable stores were closed. At the same time, Kinney added 43 leased departments in promotional department stores in prime locations.

In order to meet the rapid retail growth and future expansion plans, a new headquarters office and manufacturing plant was opened in Carlisle, Pa., converting the former office into a warehouse. Another new manufacturing plant is nearing completion in Romney, West Virginia, and a new distribution center in Mechanicsburg, Pa., will be in operation shortly.

The Annual Meeting held in the Pick-Congress Hotel in Chicago, was attended by approximately 350 stockholders.



During 1965 Kinney moved into the Canadian market and opened nine units during the first year. By the end of last year, the number of operating stores and leased departments was more than doubled. The success of these stores and the vast potential Canadian market indicated the need for new facilities, and in 1966 Kinney acquired the T. Sisman Shoe Company, Limited, one of Canada's oldest and most highly regarded manufacturers of men's and boys' footwear since 1900. Also during 1966, a combination warehouse and retail headquarters office was opened in Toronto. In less than one year after its inception, Kinney has developed a fully integrated company in Canada.

There are now more than 700 Kinney family shoe stores in the United States and Canada, including 79 leased shoe departments in general merchandise stores and seven manufacturing plants.

This expansion will continue in the years ahead; 106 new stores and leased departments are planned for 1967, plus added manufacturing facilities.

The globe that is pictured on the cover of the Annual Report and reproduced here behind the dais dramatizes the role of foreign subsidiaries in the total Woolworth operation.

"Woolworth International" now is doing business in Canada, Mexico, Great Britain, Germany, Spain and Japan.

Britain

British Woolworth is our largest foreign subsidiary, with 1,126 stores.

In Great Britain, as in the United States, dominance is a major Woolworth objective. Last year the British Woolworth company opened nine new stores and modernized 38 existing outlets. The program of expansion and modernization is still going on. At the same time, merchandise lines are being constantly upgraded, with particular emphasis on soft goods departments. Apparel is offered in breadth as well as depth for the entire family.

I think you will be interested to learn that Britain's Woolworth company will open its first Woolco Department Store this year. It will be located at Oadby Hill, a suburb of Leicester. As far as we have been able to determine this will be Britain's largest department store outside of metropolitan London.

And we have just learned that two more leases for Woolco Department Stores have been signed there and more will be forthcoming.

Canada

Our very important Canadian operation with 271 Woolworth stores plus 17 Woolco Department Stores and 19 Kinney shoe outlets, continues to grow. Six Woolworth stores in Canada were reopened last year after extensive remodeling and enlargement. One of these stores—at St. John's, Newfoundland—grew during renovation to 137,000 square feet, almost five times its original size.

During 1967 it is expected that seven new Woolco Department Stores will open. In addition, six variety stores will be enlarged and converted to Woolworth Department Stores. One other variety store will be enlarged and one new Woolworth variety store will be opened. All will dominate the communities in which they operate.

Germany

The Federal Republic of West Germany, where we now have 121 Woolworth stores, holds great promise for our future operations.

Last year we opened four new stores, replaced one old store and renovated nine others; this year the German company is opening eight more new Woolworth stores in preferred locations and enlarging or otherwise improving seven units. The trend in Germany, as elsewhere, is toward larger stores offering upgraded lines of merchandise. German store executives report strong demand for women's wear in the upper price ranges.

Spain-Mexico-Japan

On page one of the Annual Report you saw a picture of our first store to be opened in Spain—and I think you will agree that it will be a real credit to Woolworth International.

The area is one of the finest shopping complexes in Madrid—and it is a neighborhood of broad boulevards, trees, flowers and parks. We will occupy the first two floors, basement and sub-basement of the 12-story building shown in the picture. The new store is expected to open in the fall. And we are researching Spain for other promising locations.

Back in the western hemisphere, we have recently opened a most interesting Woolworth store in Mexico City, similar in design to our dominant stores with upgraded lines of merchandise. It is an excellent addition to our operations in Mexico. This truly dominant store occupies 44,500 square feet of selling area. Parking facilities above the store can accommodate 700 cars. A new store opened in Tampico in April.

Our planning for the future also includes the Far East. Our new Japanese subsidiary opened offices in Tokyo last year and is now getting started on what promises to be an excellent export-import business. The Japanese company holds great promise and we think there is a wonderful opportunity there.

So our expansion—both at home and abroad—will continue at a brisk pace in 1967. During this year we expect to open a grand total of 172 new units—including variety, Woolworth Department Stores, Woolco Department Stores and Kinney shoe stores.

The Woolworth "Team"

Before closing, I should like to acknowledge publicly the splendid contribution that the *people* of the Woolworth organization have made during the past year toward the Company's progress.

People are our greatest asset—and we are constantly seeking out the right kind of people for the growing manpower needs of our expanding organization. Our recruiting teams are working diligently—last year they visited more than 300 colleges and universities in search of young people with executive potential. Meanwhile, more than 2,700 management trainees are enrolled in the Company's executive training program, for it is our policy to fill managerial positions from within and to staff our stores and meet our growing manpower needs with well-qualified prospects. We are highly pleased with the success we

have had in attracting people of the highest calibre to our organization.

And I would like to take this opportunity to also thank our many suppliers throughout the world for their helpful and loyal cooperation in helping us to achieve the objectives toward which we all strive.

Some of you, I'm sure, have not had an opportunity as yet to visit one of our dominant Woolworth variety stores, a new Woolworth Department Store, a Woolco Department Store or a Kinney shoe store. So we thought you would like to see a few colored slides that will show what these stores look like—inside and out, and we believe they will fully clarify the direction your Company is moving in these changing times in the retail industry. I am going to ask our President, Mr. Burcham, to show these films to you.

* * * * *

Mr. Burcham then showed slides of both exterior and interior views of Woolworth and Woolco stores, Kinney shoe stores, and Woolworth stores abroad.

Following Mr. Kirkwood's and Mr. Burcham's reports, stockholders commented on the three proposals in the proxy statement, on the Company's stock, on local store conditions, on the operations of foreign subsidiaries, and several auditing questions were asked of the representative of Price, Waterhouse & Co.

The results of the votes taken on the three proposals were as follows:

For authority to issue preferred stock:

For	21,135,472
Against	491,466

Regarding a ceiling on pensions:

For	2,064,920
Against	19,557,314

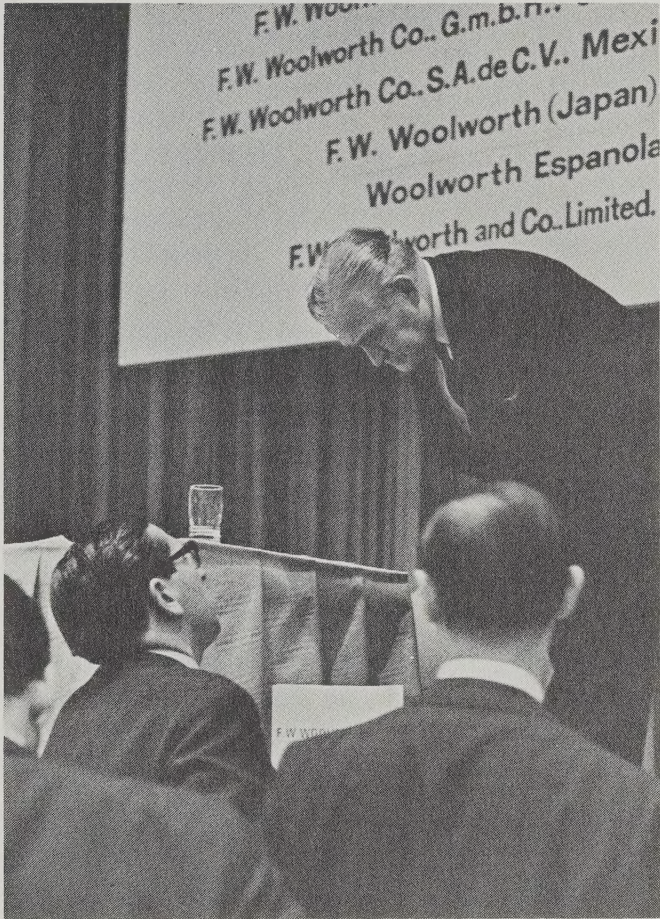
Regarding restrictions on stock options:

For	1,771,588
Against	19,850,219

There being no further business, Mr. Kirkwood thanked the approximately 350 stockholders who had attended, and the meeting was adjourned.



Following Mr. Kirkwood's and Mr. Burcham's reports, several stockholders were afforded the opportunity to make comments and ask questions.





Directors

ROBERT C. KIRKWOOD
Chairman
CLIFFORD O. ANDERSON
EUGENE R. BLACK
LESTER A. BURCHAM
FREDERICK L. CHAPLIN
HERBERT J. COOK
LESTER F. DAVIS
HARRY B. FOGERSON
W. ROBERT HARRIS
HAROLD H. HELM
SAMUEL H. HUBER
ALLAN P. KIRBY
FRED M. KIRBY
SEYMOUR H. KNOX
JAMES T. LEFTWICH
ALAN B. MUNRO
FREMONT C. PECK
JOHN S. ROBERTS
WALTER E. SAUNDERS
JOHN E. STROMENGER
KEITH L. SUMNER
JAMES R. WEBB
HENRY R. WILSON
ROBERT W. YOUNG
Honorary Director
ALFRED L. CORNWELL

Policy and Finance Committee

ROBERT C. KIRKWOOD
Chairman
LESTER A. BURCHAM
EUGENE R. BLACK
HERBERT J. COOK
HAROLD H. HELM
SAMUEL H. HUBER
ALLAN P. KIRBY
FRED M. KIRBY
SEYMOUR H. KNOX
JAMES T. LEFTWICH
FREMONT C. PECK

Executive Committee

ROBERT C. KIRKWOOD
Chairman
LESTER A. BURCHAM
JOHN S. ROBERTS
LESTER F. DAVIS
HARRY B. FOGERSON
W. ROBERT HARRIS
WALTER E. SAUNDERS
JOHN E. STROMENGER
KEITH L. SUMNER
JAMES R. WEBB
HENRY R. WILSON
ROBERT W. YOUNG

Officers

ROBERT C. KIRKWOOD
*Chairman of the Board
Chief Executive Officer*

LESTER A. BURCHAM
President

JOHN S. ROBERTS
Executive Vice-President

JOHN E. STROMENGER
Vice-President — Merchandising

WALTER E. SAUNDERS
Vice-President — Construction

ROBERT W. YOUNG
Vice-President — Personnel

HARRY B. FOGERSON
Vice-President — Real Estate

HAROLD W. BODE
*Vice-President —
Restaurant Operations*

HENRY R. WILSON
Vice-President — International

KEITH L. SUMNER
Vice-President — Expense

JAMES R. WEBB
Vice-President and Treasurer

W. ROBERT HARRIS
Vice-President — Sales Promotion

RICHARD I. DALE
Vice-President — Public Relations

CARYL T. HALLDORSON
Secretary and Assistant Treasurer

ROBERT G. ZIMMERMANN
Comptroller and Assistant Treasurer

ROBERT C. HELLER
*Assistant Secretary and
Assistant Treasurer*

CLAYTON H. VAN BUREN
*Assistant Secretary and
Assistant Treasurer*

GEORGE W. RAMSEY
Assistant Treasurer

OLAF H. HAGE
Assistant Secretary

Regional Vice-Presidents

CHARLES M. DALE
Northeastern Region

JOHN W. LYNN
Mid-Atlantic Region

C. MILBURN PURDY
Southeastern Region

HARRY E. DAVIDSON
East Central Region

JAMES E. PIERCE
North Central Region

C. WALTON BACKHAUS
Midwestern Region

FRANK C. KIRKBRIDE
South Central Region

HUBERT P. SMITH
Pacific Region

Woolco Department Stores Division

LESTER F. DAVIS, *Vice-President and General Manager*

Consolidated Subsidiaries

F. W. WOOLWORTH CO., LIMITED, CANADA
ALAN B. MUNRO, *Vice-President and Managing Director*

F. W. WOOLWORTH CO., G.m.b.H., GERMANY
BRUNO WEISS, *Managing Director*

F. W. WOOLWORTH CO., S.A. de C.V., MEXICO
LEE S. RANSOPHER, *Vice-President and Managing Director*

KINNEY SHOE CORPORATION, NEW YORK, N.Y.
CLIFFORD O. ANDERSON, *President*

F. W. WOOLWORTH (JAPAN) LTD.
KUNIO IZUMI, *President*
FREDERICK J. MICHIE, *Executive Vice-President and
Managing Director*

WOOLWORTH ESPANOLA, S.A.
THOMAS H. GATO, *President*

F. W. WOOLWORTH CO.
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New York, N. Y. 10007

Return Requested